

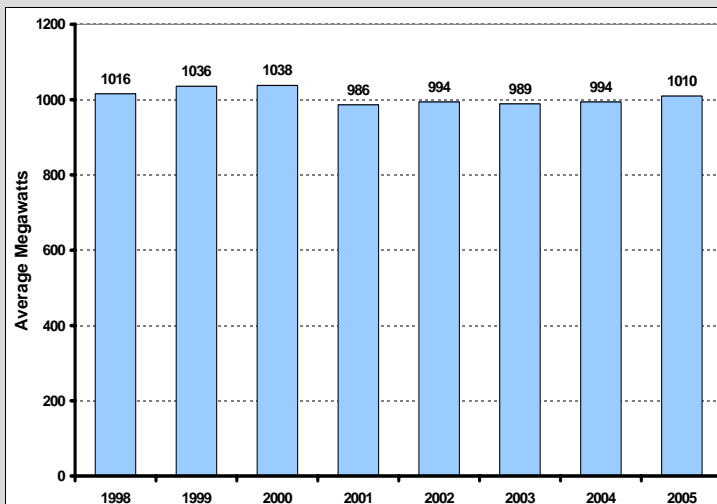


Seattle City Light Operations Report

June 2005

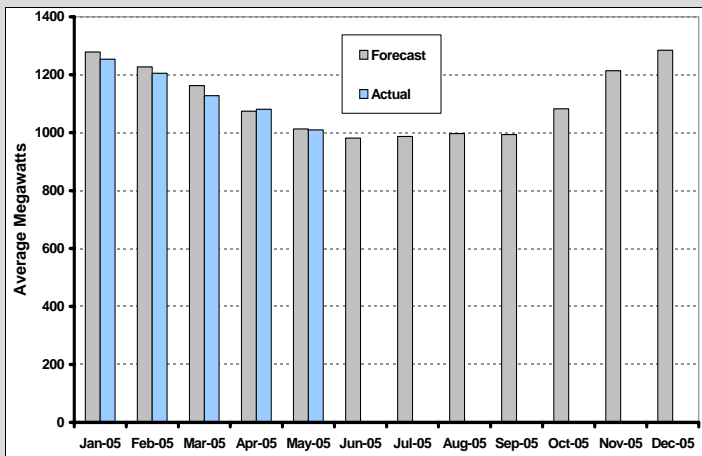
- Historic and Projected Load -

**May Weather Adjusted Load
1998-2005**



Load recovery continues. Load in May 2001 was 52 aMW less than in May 2000. Load has increased by 23 aMW since then.

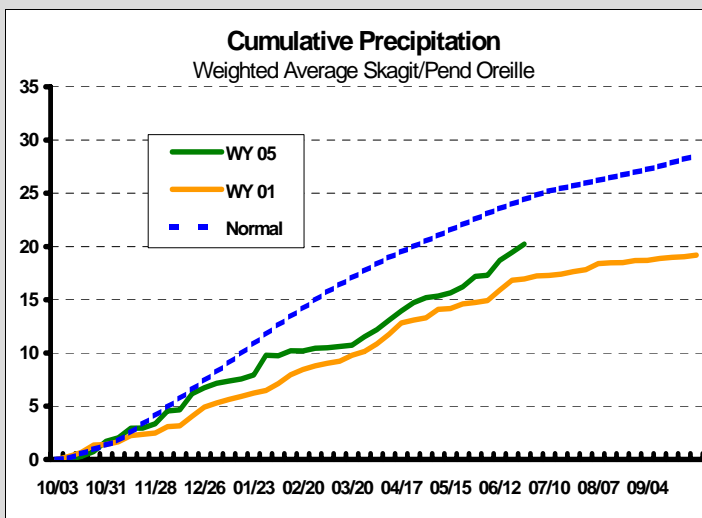
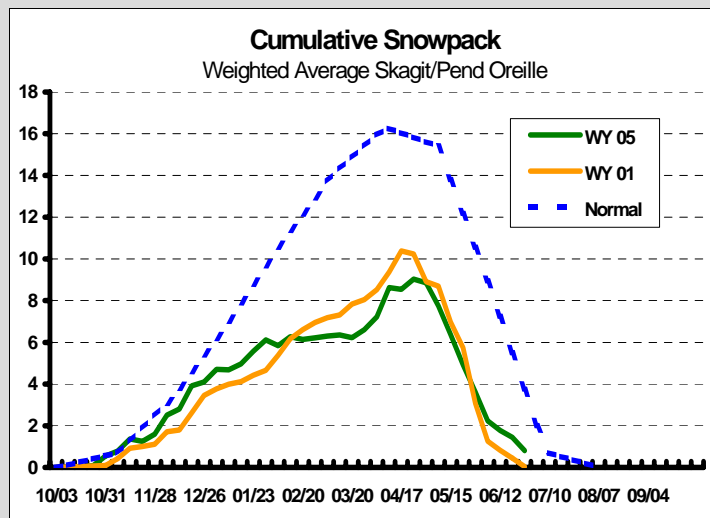
Forecast vs Actual YTD 2005



This graph compares the forecast of load for each month with actual load. The difference between forecast and actual can be due to weather and/or changes in the factors affecting load growth.

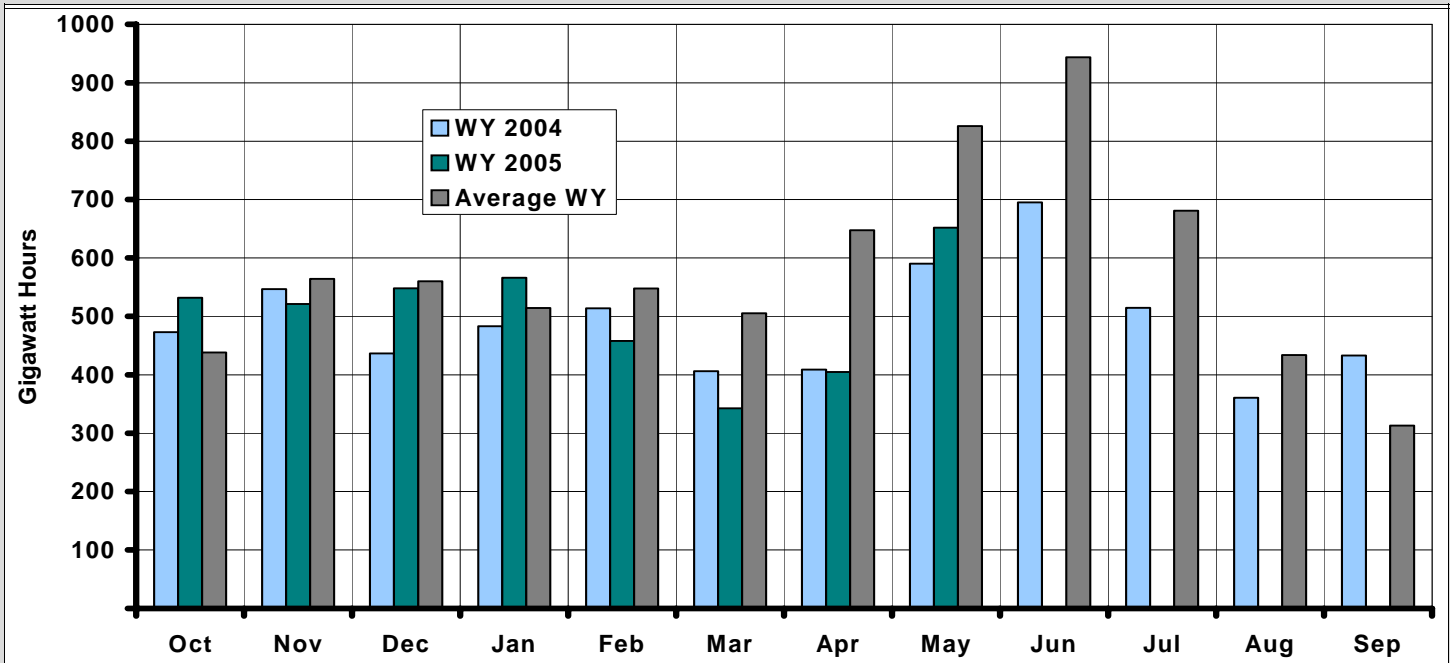
- Hydro Resources: Rain and Snow -

Snowpack and Precipitation Above Our Hydroelectric Projects as of June 19, 2005



This poor water year helps make the point of cooperation with the tribes and agencies. Wild Steelhead have spawned in locations that require about 25% less water than in past years. The agencies and tribes, with whom we collaboratively manage the fishery, have granted a waiver that recognizes that fact and allows us a slightly lower minimum discharge this summer. That puts more water behind the dam for recreational interests during this very dry summer. And, the fish stay safe.

- Generation - Monthly Net Generation



This chart compares City Light's monthly net generation from owned resources in the current 2005 water year to net generation figures from the previous water year (2004) and the average water year. Overall net generation from the start of the water year through the month of May is 4.025 million GWh (compare to 4.603 million GWh in an average year).

- Transmission And Regional Power Supply- Grid West and Transmission Improvement Group Update

Two major efforts are currently underway to improve transmission efficiency and planning in the Northwest. RTO West, a regional transmission organization proposed by investor-owned utilities in 2002 at the behest of the Federal Energy Regulatory Commission (FERC), has been pared down considerably. That effort is now called "Grid West," which amounts to a transmission clearinghouse where parties with existing surplus rights would be able to trade them on a common system. As currently proposed, the Grid West footprint would combine 62,000 miles of transmission primarily located in the control areas of the Bonneville Power Administration (BPA), PacifiCorp, and Idaho Power. For more information, please see <http://www.rto-west.com/>

The other effort, called the Transmission Improvements Group (TIG), was initiated by public power utilities and subsequently joined by several investor-owned utilities (Puget Sound Energy, Portland General Electric and Avista). TIG is concentrating on five areas requiring improvements. This plan would work toward earlier implementation than Grid West, without triggering FERC jurisdiction over public utilities. For more information, see <http://www.tig-nw.kristiwallis.com/>



Regional Scope

- Over 62,000 circuit miles of transmission lines
- Includes most transmission facilities shown in this region owned by the following companies:

- Avista Corporation (AVA)
- Bonneville Power Administration (BPA)
- BC Hydro (BCH)
- Idaho Power Corporation (IPC)
- Nevada Power (NP)
- NorthWestern Energy (NWE)
- PacifiCorp (PAC)
- Portland General Electric (PGE)
- Puget Sound Energy (PSE)
- Sierra Pacific (SP)



Note: The Grid West proposal is designed to accommodate participation by Canadian transmission owners and operators in British Columbia and Alberta.

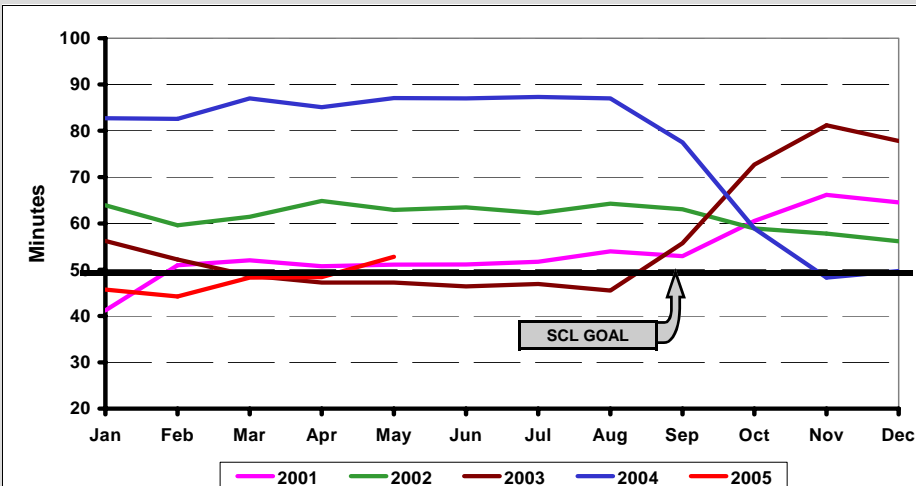
The two groups have recently become more collaborative, and hopefully the combination of efforts will serve the region well. In August, the interim board is expected to decide on seating a Grid West Developmental Board or to pursue the recommendations of TIG. Grid West would require BPA's vote to continue development of its proposal.

Power Management staff from Seattle City Light are participating in both Grid West and TIG forums.

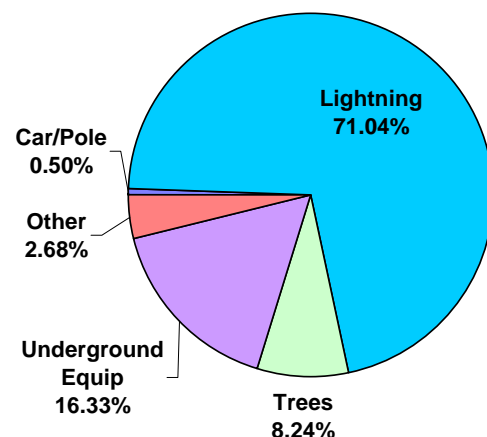
- Distribution System Reliability -

SAIDI, the System Average Interruption Duration Index, is an industry standard reliability metric which reflects the average outage time for an average customer in minutes during the preceding 12 months. The lower the SAIDI figure, the better the reliability. Since 1998 City Light has had a SAIDI goal of 50 minutes or less. The SAIDI figure we report here excludes outage impact from Major Event Days (MED) as defined by the industry's leading professional organization, the Institute of Electrical and Electronics Engineers (IEEE). MEDs include severe weather or other events causing abnormal stress on the system.

Average Customer Outage Minutes

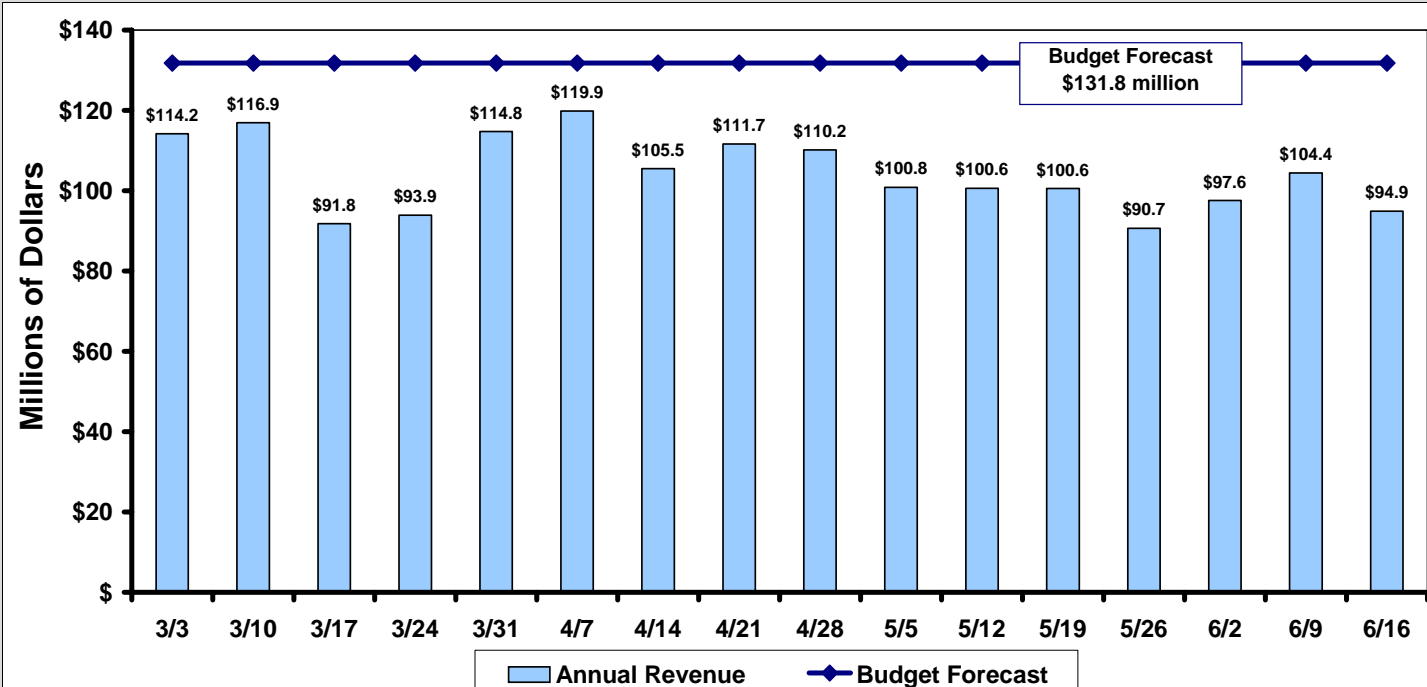


Reasons for Outages



SAIDI for May was 8.8 minutes, yielding a total for the 12 months ending May 31st of 52.8 minutes, up 4.4 minutes from April, and above the goal of 50. Weather related outages were the key contributor. A large number of lightning strikes and the related loss of over 100 transformers contributed 6.3 minutes. Tree related outages contributed about 0.7 minutes. There have been no storms or other major events in the past 12 months.

- The Business: Wholesale Activity - 2005 Revenue/Weekly Changes in Revenue



This chart shows the volatility of our net wholesale revenues over time. The top line is the forecasted revenue of \$131.8 million. Wholesale price has been relatively stable over the past three months, averaging about 25% above our forecast. However, wholesale revenue is very sensitive to the volume of water we have to run through the turbines. The amount of energy available for sale in this year's poor water conditions is 22% below forecast. Accordingly, our actual sales are \$35 million below the original forecast for the 2005 budget.

- Finances - YTD Forecast to Actual and Year-End Forecast

	Year-To-Date Through 5/31/05			Year-End Forecasts			Notes
	Adopted Forecast	Actual	Actual - Adopted	Adopted Forecast	Revised Forecast	Revised - Adopted	
Operating Revenues	\$344.2	\$318.4	(\$25.8)	\$777.3	\$751.1	(\$26.2)	
Retail Power Revenues	248.6	240.0	(8.6)	569.2	569.2	0.0	4
Wholesale Energy Sales	82.2	63.2	(19.0)	172.0	145.8	(26.2)	1
Other Power-Related Revenue	8.1	9.3	1.2	23.2	23.2	0.0	
Other Revenues	5.4	6.0	0.6	12.9	12.9	0.0	
Operating Expenses	\$257.0	\$244.8	(\$12.3)	\$610.8	\$604.8	(\$6.0)	
Generation	7.2	6.9	(0.3)	18.5	18.5	0.0	
Long-Term Purchased Power	106.2	99.2	(7.0)	237.7	232.7	(5.0)	2
Short-term Wholesale Energy Purch	15.8	10.6	(5.2)	40.2	34.1	(6.1)	1
Power-Related Wholesale Purch	0.8	0.3	(0.6)	2.0	2.0	0.0	
Amort. of Deferred Power Costs	0.0	0.0	0.0	0.0	0.0	0.0	
Other Power Costs	3.2	2.6	(0.6)	8.3	8.3	0.0	
Transmission and Wheeling	14.4	15.0	0.6	36.0	36.0	0.0	
Distribution	17.8	16.0	(1.7)	44.6	44.6	0.0	3
Customer Accounting	11.8	13.2	1.4	31.4	31.4	0.0	3
Conservation	4.9	4.5	(0.4)	12.6	12.6	0.0	3
Administration & General	15.8	17.3	1.6	41.1	43.1	2.0	3
Taxes	27.5	26.2	(1.3)	62.5	62.5	0.0	
Depreciation	31.6	32.9	1.3	75.9	79.0	3.1	
Net Operating Income	\$87.1	\$73.6	(\$13.6)	\$166.5	\$146.3	(\$20.2)	
Other Deductions, Net	(\$15.3)	(\$21.5)	(\$6.2)	(\$34.8)	(\$33.5)	\$1.3	
Investment Income	2.2	3.5	1.3	5.5	6.5	1.0	
Other Income/(Expense), Net	0.7	(0.1)	(0.9)	1.8	1.8	0.0	
Interest Expense	(31.0)	(30.9)	0.0	(74.3)	(74.0)	0.3	
Contributions In Aid of Construction	12.6	3.4	(9.2)	31.9	31.9	0.0	5
Grants and Transfers	0.1	2.7	2.5	0.3	0.3	0.0	5
Net Income/ (Loss)	\$71.8	\$52.1	(\$19.7)	\$131.6	\$112.7	(\$18.9)	

NOTES

- Net Wholesale Revenue** – Actual net revenue from wholesale market transactions through May was \$52.5 million, or \$13.8 million less than the projected level of \$66.3 million. Energy available for sale in the wholesale market was 22.2% below the amount projected. The shortfall in energy was partially offset by higher prices in the wholesale market. The Department realized \$45.66 per MWh of wholesale sales, 16.7% above the projected level. The price paid for wholesale purchases was actually slightly below the forecast. The updated forecast of net wholesale revenue, which reflects actual results through March, shows a decrease of \$20.1 million from the amount projected at time the 2005 budget was adopted. The forecast will be revised again next month, based on results through June.
- Long-Term Purchased Power** –The cost of power purchased under long-term contracts through May was \$99.2 million, or \$7.0 million less than the forecast. Power from the State Line Wind Project cost \$3.0 million less than anticipated, reflecting lower deliveries of power from the project. The Department exercised its option not to take delivery of power from the Klamath Falls Cogeneration Project in May. As a result the cost of Klamath power through May was \$2.4 million below the \$19.6 million projected. Expenses were also lower than expected for power delivered from the Lucky Peak Project and the Grand Coulee Project Hydroelectric Authority. The cost of power purchased from the Bonneville Power Administration was exactly the amount projected: \$59.0 million.
- Other Operations & Maintenance (O&M) Expenses** – Expenses in the categories of distribution, customer service, conservation and administration and general (A&G) were \$0.9 million, or 1.8%, higher than forecast. Distribution expense was \$1.7 million below forecast and conservation was \$0.4 million lower, but customer service and administrative and general (A&G) expenses were \$1.4 million and \$1.6 million above forecast, respectively. The variance in A&G reflects year to year increases in expenses for information systems, governmental services, industrial and property insurance (estimated quarterly), and employee pensions and benefits, which have grown despite declining staffing levels because of higher Citywide benefit costs. The variance in customer service reflects higher billing system and bad debt expenses. The forecast of other O&M expenses through year-end has been revised upward by \$2.0 million to reflect higher A&G expenses.
- Retail Revenues** – Revenue billed to retail customers was \$1.5 million higher than forecast through May. Revenues from residential customers were \$1.8 million or 1.7% below forecast while revenues from nonresidential customers were above the forecast by \$3.3 million or 2.2%. Total MWh billed to customers were 0.7% lower than forecast, reflecting 1.2% lower MWh billed to residential customers and 0.5% lower nonresidential MWh billed. At the end of each quarter, retail revenue is adjusted to include an estimate of the change in unbilled revenue from the prior quarter. In the first quarter this adjustment resulted in a reduction in revenue that was \$10.1 million greater than projected. This variance in unbilled revenue is expected to be reversed in future quarterly adjustments.
- Contributions in Aid of Construction** – Contributions in aid of construction (CIAC) were \$9.2 million below forecast. \$1.9 million of this variance was due to an accounting change related to conversion to the new Summit accounts receivable module in October 2004. Another \$2.5 million of the variance can be explained by the receipt of \$2.5 million CIP funding in the form of capital grants rather than CIAC. These capital grants are included in the \$2.7 million total for grants and transfers. The remaining \$4.8 million of the variance is mostly due to differences between the timing of actual receipts in 2005 and the monthly profile assumed in the forecast.

The Seattle City Light Operations Report

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